that this would mean a total reduction in their revenues of hundreds of thousands of dollars a year which they cannot afford, and which moreover would inure to the benefit of no one but the wholesale dealers. The merchants—or some of them—of Kansas City insist that if the railroads can afford to carry one hundred pounds of dry goods for thirteen hundred and thirty-two miles to Minneapolis for $1.15, they can afford to carry one hundred pounds of dry goods for thirteen hundred and forty-six miles to Kansas City for the same rate, and that that is all there is to it.

The merchants of Kansas City finally brought their complaint before the Interstate Commerce Commission, alleging the so-called discrimination in the rates between New York and St. Paul, and New York and Kansas City as its basis. At the formal hearing before the commission, were brought out the same points as in the conversation which has been described. The railroads presented in rejoinder the arguments that have been specified, stating, moreover, that the complainants had produced no evidence whatever to show that in any respect the rate to Kansas City was unreasonable. In this formal presentation to the Interstate Commerce Commission the merchants of Chicago have intervened, protesting against the concession being accorded to Kansas City.

It is quite evident that Kansas City wholesale merchants are seeking an advantage over their competitors in Chicago and St. Louis, the granting of which those competitors are resisting as vigorously as Kansas City in turn is resisting the growing ambition of Wichita and other cities to her west to conduct and extend a wholesale business.

LOGAN G. MCPHERSON

JOHNS HOPKINS UNIVERSITY

WASHINGTON NOTES

DEFICIT FINANCIERING
THE FOWLER BILL REPORTED
CONGRESSIONAL CURRENCY POLITICS
THE CAMPAIGN AGAINST SPECULATION
PURE FOOD ADMINISTRATION CRIPPLED
RAILROAD OWNERSHIP OF COAL PROPERTIES
STATISTICAL REORGANIZATION

Secretary Cortelyou's plans for treasury management as outlined in his report to the Senate on January 29 (Sen. Doc., No.

208) have been lately brought a step nearer to consummation. In the report in question, Mr. Cortelyou said:

> If new legislation does not relieve the Secretary of the Treasury from the obligation which has tacitly arisen—to exercise a guardianship over the money market, then still another factor must be kept constantly in view. This is the ability to relieve the money market by making deposits of public funds during the autumn, the season when the demand for money is usually greatest. The Department considers it of the highest degree of importance . . . . to reduce the present volume of deposits of public moneys in the banks.

In pursuance of this policy, Mr. Cortelyou on February 26 ordered the withdrawal of $35,000,000 of public funds from those depositaries which then had more than $100,000 of public funds in their possession, such withdrawals to be complete by March 23. It may be safely anticipated that in this way the deposits in banks to the credit of the Treasurer of the United States will be cut to about $190,000,000 by April 1, while—were it not for the deficit—there would be on hand, as a "free cash balance," somewhere in the neighborhood of $60,000,000. It is probable that, in view of existing circumstances, this free cash will not amount to more than from $50,000,000 to $55,000,000 on the first of April. Monthly deficits are now running at the rate of about $8,000,000 or $8,500,000, owing to the great falling off in customs receipts since the advent of industrial depression. This deficit condition greatly interferes with the efforts of the Department to build up a strong cash balance and makes it highly probable that the $64,000,000 of Spanish War 3 per cent. bonds which fall due August 1 will be refunded instead of being redeemed, as would otherwise have been determined under more favorable conditions. This probability is further strengthened by the necessity of redeeming the $15,600,000 of 3 per cent. certificates which were issued last autumn to run one year. While struggling with the deposit situation, Secretary Cortelyou has sent to Congress another remarkable report (H. R. Doc., No. 714, 60th Cong., 1st session) in which he has presented a compiled statement showing the exact nature of all the bonds held by the Treasury as security for public deposits. This statement gives information never before made public and shows that the Department has accepted large quantities of railroad securities, many of them of a character subject to substantial fluctuation. The list, although unaccompanied by textual discussion, has elicited

much comment and furnishes one of the strongest arguments yet presented for abolishing the present method of securing public deposits in banks.

In reporting the Fowler currency bill substantially unchanged, the House Committee on Banking and Currency took unexpected action on February 28. The fact that the bill was reported at all is largely a tribute to the efforts of Chairman Fowler himself and to the energetic public sentiment which he has developed through his personal work during the past winter. The same object has been materially aided by the hearty endorsement given to the Fowler bill at a public hearing before the Banking and Currency Committee on February 19, when ex-Secretary of the Treasury Gage specifically endorsed the Fowler bill as a whole. This endorsement operated strongly upon the minds of the committee, on account of the strong respect in which the views of Mr. Gage on currency and finance have always been held and the lack of self-confidence which has been painfully apparent among members of the Banking and Currency Committee during the current session. It must be assigned largely to Mr. Gage's endorsement that such features of the Fowler bill as mutual guarantee of deposits in banks, the exercise of trust-company functions by national banks, and the retirement of the greenbacks by a new and specially devised plan were retained in the bill. As it was, it proved impossible to report the Fowler measure by anything like a unanimous vote, five members, headed by Representative Burton of Ohio, being opposed and voting against it, while, on the guarantee of deposits question and others, the vote by which a report was ordered was frequently little better than a tie. It is these facts which furnish the basis for the view now currently expressed, that the Fowler bill stands no chance whatever of consideration even in the House until it has been stripped of so-called extraneous features and reduced to a provision for the passage of some compromise plan. What plan will finally be determined upon will depend much upon the development of the political situation during the coming weeks. At present, the trend of things manifestly favors the acceptance of some method of issuing notes based upon commercial paper either through organized clearing-houses or in some similar manner, as well as the retention of bonds as provided by the Aldrich bill—railroad securities being possibly excepted. In the

Senate, the railroad bond feature proved from the beginning the most objectionable element of the bill and the one which aroused the widest antagonism the world over.

The facts of the situation thus seem to point to a long period of controversy and discussion before positive currency action can be had in the House. Several alternative courses of action are now open to the House leaders. They may (1) pass the Fowler bill in its present or an amended form, either immediately or else under the legislative formality of a "substitute" for the Aldrich bill as put through the Senate. (2) They may amend the Aldrich bill in various particulars, retaining its basic idea of bond-security behind notes. (3) They may combine the essential principle of the Fowler bill with the essential principle of the Aldrich bill, thus providing for a currency based on bonds and on commercial paper jointly or alternatively. (4) They may concede the existence of an absolute dead-lock between the two Houses by refusing to pass a remedial measure and committing the currency question to a "commission" with orders to report at some specified time subsequent to the coming election. All of these courses have been considered, but it has not been made known which is most favorably regarded. Several facts have developed with unprecedented clearness as a result of the inquiry: (1) An extreme disinclination on the part of the House toward the passage of the Aldrich measure has been marked. (2) An equal disinclination in the Senate to pass any inclusive bill, or to provide for the issuance of currency on an asset basis has become equally well developed. (3) Political leaders are feeling with unaccustomed and unexpected positiveness the growth of a distinct public opinion in favor of currency action at this session. As a result of these factors, the drift is away from the currency commission scheme and toward currency issue solely. The report on the bill (H. R. Report, No. 1126, 60th Congress, 1st session) affords much sound argument for inclusive and thorough action upon the banking question, but the political complexion of the House is now such that this seems out of the question.

A more vicious attack upon speculation on the stock and produce exchange than any that has been undertaken for a good while past has been developed in Congress since January. Three

principal elements in this campaign are now prominently before the public eye. One of these is the Burleson measure prohibiting speculation in cotton futures (H. R. 67). A second is Representative Hepburn's proposal to impose a stock-transfer stamp tax of fifty cents per share of $100 face value upon the sale of securities (H. R. 18525). The third feature is the petition of Representative Livingston of Alabama to the Post-Office Department for the issue of a "fraud order" directed against the New York Cotton Exchange. The order asked for would prohibit the use of the mails for correspondence relating to speculation in cotton futures upon the New York Cotton Exchange. Along with these has gone a number of other bills and resolutions directed against various aspects of speculation in stocks, grain, and cotton. The movement has been such as to attract the alarmed notice of cotton, grain, and security interests, and enough attention has been paid to it to lead to the revision of the form of its cotton contract by the New Orleans Cotton Exchange. Influential bodies of men representing the exchanges of the country have discussed the subject with the President and with various legislators, endeavoring to show the necessity of margin trading in order to fix market prices of securities and of produce. It is not likely that Congress will pass definite legislation on any phase of the question at this session or that it will prove possible to get action from the Post-Office Department with reference to the use of the mails in speculative transactions. Before the end of the session, however, opportunity for shaping public opinion much more definitely will have been afforded through the issue of a comprehensive report which has been prepared by the Bureau of Corporations on the subject of cotton trading. In this report special attention is given to the form of contract employed on the exchanges. President Roosevelt has in his special message lately sent to Congress (January 31, 1908) expressly declared against "the grosser forms of speculation" with apparent reference to margin dealing. Further carrying out this idea, he directed, early in March, an investigation of marging trading to be made by the Bureau of Corporations. The enactment of legislation as a result of further discussion on this subject is a distinct possibility when the powers of Congress in relation thereto shall have been more definitely studied. The bills which have been introduced and the investigations of the Bureau of Corporations will further shape the development of legislation

in the states, such enactments having been already given a decided impetus within the past year.

President Roosevelt has now almost suspended the operation of the pure food law passed by Congress two years ago. The law contained three important ideas—supervision of the composition of manufactured foods through the Bureau of Chemistry in the Department of Agriculture, the assurance that food labels would be correctly representative of the contents of the packages to which they were affixed, and control of imported foods in order to protect the domestic manufacturer as well as the consumer against misbranded and unwholesome preparations shipped from foreign countries. Secretary Wilson later created a board of food and drug inspection in the Department of Agriculture. This consisted of three members, and during the past year has been attempting to secure adherence to the provisions of the law along the lines already described. In so doing, it has found the question of preservative and coloring matters to be of chief importance in connection with food composition, and has insisted upon the labeling of domestic goods in accordance with composition, while demanding that imported foods should be re-exported to the countries of origin should they prove to be misbranded. It has been apparent for some time that the pure food law was second only to the railroad rate act in the importance of the business interests affected by it and the administration has been beset by insistent demands that the application of the law either be curtailed or weakened at certain points. Yielding to these importunities, President Roosevelt has now appointed a board of chemists drawn from five different universities and has referred to it the question of preservatives in foods—an action which practically suspends for a considerable period any decision with reference to this phase of the subject, notwithstanding that the physiological effect of preservatives has been thoroughly studied and is well understood. Almost simultaneously with this action, the President has sanctioned action on the part of the Treasury Department in releasing for consumption a large number of consignments of imported foods which had been held back at the suggestion of the Department of Agriculture because they had been erroneously labeled, or were impure or unwholesome in content. This leaves nothing but the question of labeling domestic food

products within the control of the Department of Agriculture and even this will require to be elaborately and carefully contested in the courts before the exact status of the portions of the law bearing on labeling can be ascertained. Expressions of public opinion thus far have not been friendly to this practical nullification of the pure food law.

When the railroad rate bill was passed in June, 1906, it contained a clause forbidding common carriers to continue the transportation of commodities in whose production they are pecuniarily interested. This feature of the act was not to become effective until May 1, 1908, a space of two years, approximately, being thus allowed for the separation between the railroads and their outside properties to take place. By prohibiting the common ownership of railroads and producing properties Congress intended to assure still further the observance of the anti-rebate provisions of the railroad rate legislation—provisions which would have been in many instances of no effect, were railroads actually in the market as sellers of commodities produced and transported by themselves, while at the same time produced by outside concerns competing with them for the trade of the consumer of the commodities in question. It was supposed at the time that this section would apply almost exclusively to railroads interested in coal and other mines, but examination has developed the fact that it will also have serious effects upon roads which are largely interested in steel plants and in other manufacturing enterprises. The problem of effecting a separation of ownership between the roads and the outside properties has been greatly complicated by the panic and industrial depression, which alone would have rendered it extremely difficult to dispose of large holdings of stock in producing concerns. So strongly has the administration been impressed with the hardships of the situation that it has now practically agreed to suspend action with reference to the commodities feature of the railroad rate law. A case covering the main elements included in the "commodities section" of the law has been prepared and will be taken up by the Department of Justice, with the assent of the railroads affected, for prosecution in the courts. This will give time for recovery from depression and will determine exactly how far the courts will uphold this provision. There is more than a little question whether the clause can be accepted as constitu-

tional, and the government has no disposition to undertake unduly severe prosecutions so long as the constitutionality of the clause is in doubt. This case is likely to develop during the next year or two some interesting rulings upon the extent of governmental power to interfere with industrial ownership.

As the result of deliberations which have been in progress for some months past, the Department of Commerce and Labor has practically determined some mooted points with reference to statistical organization. In October, 1907, a committee consisting of chiefs of several of the most important bureaus in the department, aided by three outside statisticians, was appointed by Secretary Straus to consider the question of statistical reorganization. Specifically the main subject to be dealt with was that of consolidating the Bureau of Statistics with the Census Bureau. The latter bureau has for some time been favorable to the idea of absorbing within itself the Bureau of Labor and the Bureau of Statistics—a step which would have resulted in establishing practically a single statistical office of the United States, the other statistics compiled by the government being relatively few in number and of minor importance. The report of the committee (*Report on Statistical Reorganization, Department of Commerce and Labor,* 1908) has not confined itself to the question of enlarging the Census Bureau, however, but has also taken up an idea urged for several years past. This is a proposal to establish a strong bureau of commerce and commercial statistics. It is recommended by the report that the enlargement of the Census Bureau be given up, and that, instead, the Census be left as it is, a Bureau of Commerce being created and entrusted with the duties performed by the Bureau of Statistics and the Bureau of Manufactures—both now under the control of the Department of Commerce and Labor. The Bureau of Labor which has, under the leadership of the present commissioner, developed more largely along lines of sociological investigation than in a statistical direction, is to remain independent. The creation of an inter-departmental statistical commission is also recommended in the report of the committee. The report suggests that such an inter-departmental commission would prove of considerable value in securing uniform statistical methods and uniform practice in the use of terms, and that it might undertake revision and rearrangement of the statistical abstract of the United States.